

The major categories of tariff violations are as follows:

1. incomplete or missing signage
2. overcharged local call/cutoff prior to 15 minutes
3. overcharged toll call*
4. blocking (911,411,800,950,811XXXX,10XXX)
5. no refund for incomplete call

*The rate caps for most non-sent paid (non coin) toll calls are "enforced" by processing calls through a screening and rejection process performed by Pacific Bell. All non-sent paid calls generated from private paystations and Pacific Bell paystations (except calls carried by AT&T) which are billed through the billing and collection process performed by Pacific Bell are sent through this screening and rejection process. Calls over a cap amount are returned to the billing party for re-rating.

The hotline operator inputs the information into a computer program which creates a record for every complaint.

These records are downloaded once a week from the Teleconsumer Hotline operator center into the COPT enforcement office computer. The COPT enforcement analysts review each record and decide whether to send a letter to the COPT vendor. The letter explains the complaint and requests a response within 10 working days as to whether the alleged tariff violation has been corrected. The COPT vendor must fill out a form that was enclosed with the initial letter. The COPT vendor must certify when the alleged violations were fixed or state that no violations existed.

In our case the lost money should be refunded to the consumer, the blocking of 10XXX should be fixed, and the signage should be corrected. A copy of the refund check is also requested. The COPT vendor has certified that these complaints have been fixed. This would end the inquiry. Sometimes the COPT enforcement analysts may decide to inspect the COPT to verify the action taken.

If a COPT vendor does not respond to the initial letter on a timely basis or an inspection of the COPT shows a tariff violation still exists, a second letter, advising that the LEC has been requested to send a turnoff notice pursuant to the LEC's tariffs, is sent to the COPT vendor. The LEC is advised to do so.

The LEC sends a disconnect notice to the COPT vendor advising that the COPT will be disconnected if the tariff violations are not corrected within 7 days. If the COPT vendor does not respond or the tariff violations are not corrected, the COPT is disconnected. Reconnection can only occur after certification that the violation will be corrected and the reconnect charge is paid to the LEC.

In addition to COPT complaints from the Teleconsumer Hotline operator, the center processes complaints that are sent to the Commission.

The COPT enforcement analysts also dispatch inspectors to do "spot" inspections. Spot inspections are inspections of a particular area, such as the Mission District of San Francisco, or of a particular COPT vendor. Letters are sent to the COPT provider when spot inspections find violations. The same process discussed above occurs.

The Players

The main participants in the Program are as follows:

1. Robert Weissman of CACD who is the project manager.
2. CPA which facilitates the Program.
3. Michael T. Salvemini, the COPT coordinator who shares his time between work for CPA and managing the COPT enforcement program.
4. Marilyn Jackson and Cyndi Olson who perform the daily work of the Program.
5. Teleconsumer Hotline, which is affiliated with Consumer Federation of America, which answers customer calls on the 800 line.
6. The COPT Enforcement Subcommittee.

Caseload

The Program covers all private pay telephones that are located in the territories of Pacific Bell and GTE California. There are currently 50,700 and 6,800 private payphones located in the territories of Pacific Bell and GTE California, respectively. Neither our Program, nor any other similar program, covers local exchange company provided paystations.

The program handles approximately 3,000 - 5,000 hotline cases per month. A case is a telephone with a problem that is reported by a consumer. The following is a detailed description of the number of cases handled by month. As can be seen, the caseload is generally increasing, although the month of May was unusually low because extensive work on the computer was done and analyst worktime was down.

<u>Jan 93</u>	<u>Feb 93</u>	<u>Mar 93</u>	<u>Apr 93</u>	<u>May 93</u>	<u>June 93</u>
2194	2964	3616	4016	2988	3373

A large percentage (approximately 84%) of these cases are refund requests. Some of the refund requests may have been tied to a valid complaint that signage was missing or incomplete; however, later inspections on some of these phones usually found signage was not missing and was usually complete. A Special study of data for the month of July shows that in 50% of the cases information was incomplete (i.e., the consumer hung up after seeing the refund number on the signage), and 84% of the cases where all information was collected were requests for refunds. Because of these facts, the program relies most heavily on inspections to find and correct tariff violations.

Quantity of Inspections

The Program inspects approximately 750 telephones per month. About 150 (20%) of these inspections occur as a result of a consumer making a report about a telephone. About 600 (80%) of these inspections occur as a result of COPT Enforcement deciding to inspect the telephone. Decisions to inspect a telephone are made either because a certain territory (e.g., Fresno area) or a particular vendor shows a high incidence of violations.

The following is a detailed description of the number of inspections handled by month. Inspections have ranged from a low of 474 per month to a high of 812 per month.

<u>Jan 93</u>	<u>Feb 93</u>	<u>Mar 93</u>	<u>Apr 93</u>	<u>May 93</u>	<u>June 93</u>
571	474	812	695	530	738

Inspectors

The inspectors are hired from within the privately owned payphone industry. Inspectors are hired to work on a per inspection basis. There are inspectors throughout California. Each inspector was interviewed by the office manager of the COPT enforcement office and the project manager from CACD. The chief inspector standardizes the inspections of COPTs, trains other inspectors, and sometimes help smaller COPT vendors with technical answers to questions.

In the first half of 1993, all inspectors attended a four hour training session given by the chief inspector.

Program Funding

The Program is funded by the COPT vendors, themselves. The Commission authorized a surcharge of \$1.50 for Pacific Bell and \$2.00 for GTE per month per COPT for public policy phones, 0-costs, and COPT Enforcement. Specifically, the Program is funded by a portion of the monthly line charge (\$0.65) that all COPT vendors pay to the LEC to receive telephone service.

Details of all expenditures are kept by the COPT enforcement office manager. A periodic review of the expenses are made by the COPT Enforcement Subcommittee. Financial data are available upon request.

Confidentiality of Customer Communications and Information

The provision of COPT Enforcement involves a vital public trust. All individuals involved with the COPT Enforcement Program have the responsibility of treating that which we may see or hear related to COPT Enforcement calls, COPT information, data, correspondence, etc. with utmost confidentiality. This trust also requires that we do not make personal use of information we receive while conducting business for COPT Enforcement. Therefore, employees, inspectors, and Workshop participants (including sub-committees) must not disclose information, data, correspondence, etc. or any other information about pay telephone providers that is gathered in the context of performing work for COPT Enforcement.

Individuals with COPT Enforcement responsibilities are required, prior to beginning work, to sign confidentiality agreements (APPENDIX B) with Pacific Bell and GTE with respect to the release of customer specific data.

All data at the COPT Enforcement office are pass coded so that only analysts can view customer proprietary data. For the vendors' protection, when a second inspection is dispatched, it is always conducted by a different inspector. When a vendor's universe of telephones is inspected, the telephones are divided among several inspectors so that one inspector will not have data on a vendor's universe of telephones.

Effectiveness of The Program

COPT providers working with COPT Enforcement are improving service in California.

It is important to look at key data to review whether the Program is effective and service quality is improving. For this purpose, the total number of cases do not give a fair picture because a very high percentage of the cases are refund requests and calls made to the hotline operators where complete information is not made available from the consumer. Review of inspection data, however, is a very good source of information.

The Program has emphasized that telephones must provide free access to long distance carriers-rather than being restricted to the presubscribed long distance carrier that the provider picks. This area is important because it guarantees that the caller can choose the long distance company and hence the rates he wishes to pay. When the caller has a choice of carriers, the rate cap provision is somewhat less important because by using credit cards or calling cards, he can choose another carrier. (Persons relying on coins, however, are protected only by the rate cap and for them the rate cap is essential.)

At the beginning of the Program, COPT Enforcement randomly selected areas to inspect. As experience has been gained about the relative levels of violations among payphone companies, COPT Enforcement has concentrated its spot inspections upon those companies where prior violations (especially improper blocking) have been found, in order to achieve compliance.

While this approach has helped to achieve the Program's enforcement goals, it has produced statistics which appear less promising than the Program's actual results. Thus, the percentages of inspections that have resulted in findings of violations have shown a steady but modest trend of improvement, with fluctuations from month to month. Because the Program has progressively increased its inspectors' attention to the most serious violators, the fact that the percentage of violations found has continued to decline is really a sign of substantial success.

In short, the most serious violators today are less frequently found out of compliance than the random case a year ago.

COPT Enforcement processed 209 inspections in October 1992. In these inspections 47.8% of the COPTs blocked carrier access or involved other blocking tariff violations (i.e., 800, 950, 411, 911) violations. Nine months later, in July 1993, 653 inspections were conducted. In these, 32.6% (a reduction of nearly one-third) showed blocking violations. Considering the concurrent focusing of the enforcement efforts upon recurrent violators, this was a substantial improvement.

Another key area we emphasized is the requirement that telephones charge no more than \$.20 for local calls and that such calls can last as long as fifteen (15) minutes. The Program processed 136 inspections in September 1992. In these inspections, 9.5% of the sets had local call violations. Later in January 1993, the 451 inspections conducted found only 3.5% of the sets with local call violations. Finally, in July 1993, out of 653 cases processed, only 2.6% involved local call violations or a reduction of nearly 75%.

The number of second letters going out to vendors has been greatly reduced. A second letter is either a "second inspection found the same problem still existed" letter or a "lack of response to our first letter" letter. In November 1992, the number of second letters (APPENDIX B) going out was 53.4%.

In August of 1993, only 22% of the cases processed required second notices, a decrease of nearly 60%.

A review of the violations found at telephones that the Program had inspected statewide shows that for the month of September 1992, 63.2% of the telephones showed tariff violations (other than signage). In the month of April 1993, 59.5% of the telephones showed tariff violations (other than signage). Later, in August 1993, only 44% of the telephones had tariff violations (other than signage). The tabulation below is a summary of the quarterly information showing the ongoing reduction in tariff violations. The inspection data is not broken out into single inspections and spot inspections. Since the ratio of single inspections to spot inspections has remained fairly constant, this should not present a problem.

<u>Quarterly</u>	<u>Total</u> <u>1st Inspections</u>	<u>Tariff Violations</u> <u>(excluding signage)</u>	<u>%</u>
1992 Q3*	181	112	61.9%
1992 Q4	609	392	64.4%
1993 Q1	1,323	607	45.9%
1993 Q2	1,153	621	53.9%
1993 Q3*	1,321	589	44.6%

* Only 2 months data available

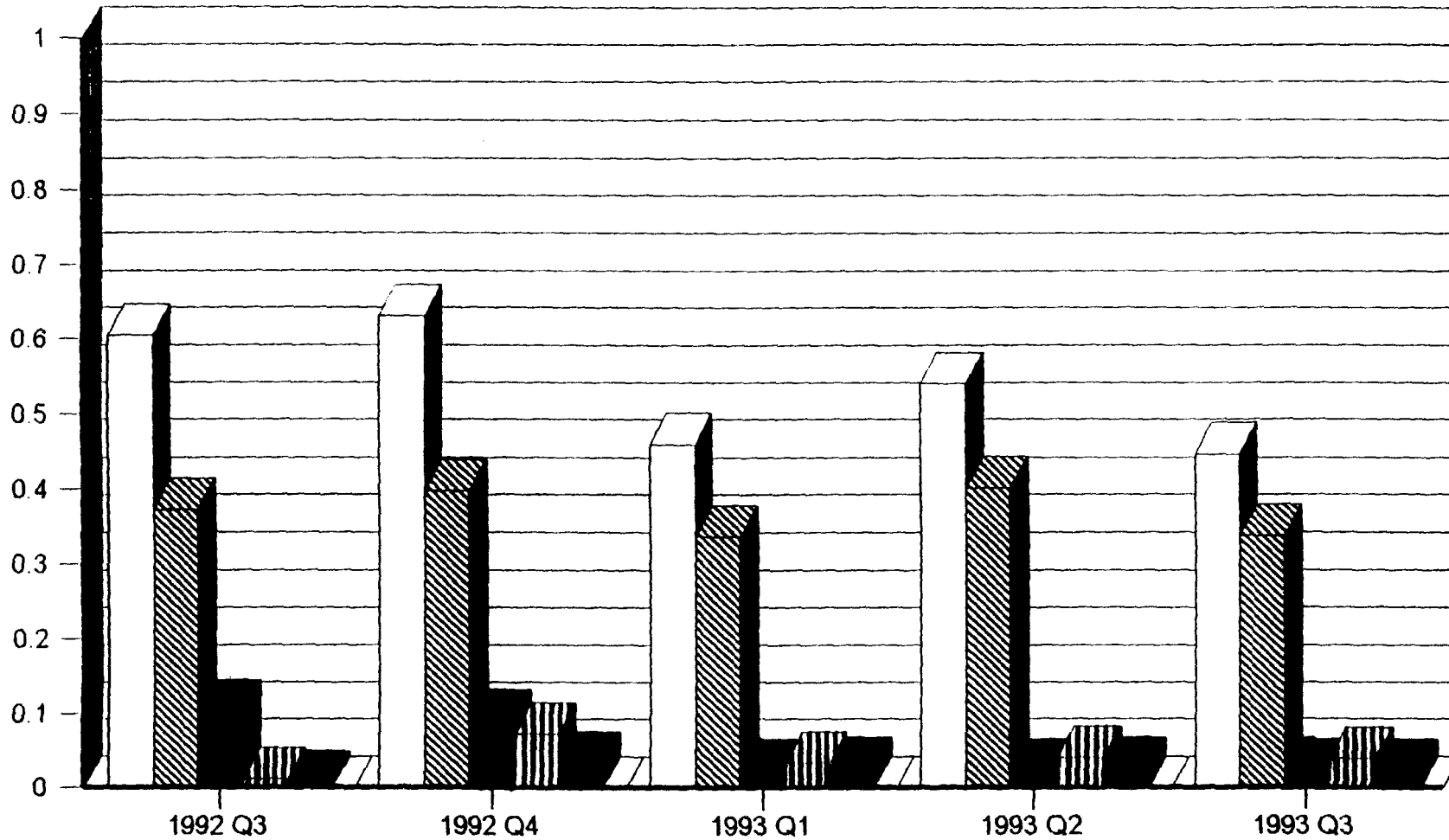
The program also shows that individual categories of violations have improved over the long run. Below are the violations that were found at inspected telephones.

<u>Month</u>	<u>Total Cases</u>	<u>Local Rate</u>	<u>Toll Rate</u>	<u>Blocking</u>
December 1992	271	4.0%	5.9%	40.2%
January 1993	451	3.5%	2.8%	31.2%
February 1993	399	1.7%	2.0%	35.0%
March 1993	473	1.6%	3.1%	34.6%
April 1993	198	3.0%	3.0%	38.8%
May 1993	551	2.5%	0.7%	48.2%
June 1993	404	1.4%	4.2%	33.4%
July 1993	653	2.6%	2.9%	32.6%

Again, considering that the Enforcement Program has focused inspections increasingly on the most serious violators, the steady reduction in the proportion of failed inspections is a sure sign of success for the Program.

The chart (page 21) titled COPT Enforcement Group (CEG) Violations By Quarter presents the data on pages 19 and 20.

CEG Violations By Quarter



□ Total Violations (not signage)

▨ No Free Access

▧ Blocking

■ Overcharge Toll

■ Overcharge Local

3. Toll Fraud

Toll Fraud and 10XXX Unblocking From COPT

Toll fraud has continued to be a problem from COPTs since 10XXX unblocking was mandated. The Workshop formed a Subcommittee to address this issue. Attached is a report of the 10XXX Unblocking Subcommittee in regard to toll fraud liability from COPTs. This report was distributed to the Commission Telecommunication Advisors on January 11, 1993.

This report represents the results of more than a year's collective effort to fulfill the commitment made in Article V(B)1.d of the COPT Settlement agreement, adopted by the Commission in 90-06-018. This Decision provided for 10XXX unblocking from COPTs on June 6, 1991. An extension was granted until October 1, 1991, under Rule 43 of the Rules of Practice and Procedures by Executive Director Neal Shulman.

The participants were unable to reach a consensus. Two proposals were prepared with the primary difference in separate views of the appropriate responsibilities for the LECs and the Operator Service Providers. A broad consensus was reached on timelines for fraud reporting and investigation and the responsibilities of the COPT vendor.

4. SCANNING AND REJECTION PROGRAM

In response to Article V(B)12.c. and e. of the Settlement Agreement adopted by the Commission in Decision 90-06-018, Pacific Bell developed a scanning and rejection process for all calls billed by Pacific Bell. This process was instituted by Pacific Bell Advice Letter No. 15824 approved on November 1, 1990.

Com Systems was instrumental in Pacific Bell proposing this program to the Workshop. The criteria used in the program to meet the rate cap requirements for noncoin calls from pay telephones was agreed to in the Workshop.

The rate caps for most noncoin calls are enforced by a Scanning and Rejection process. All noncoin calls generated from COPTs and Pacific Bell paystations (except calls carried by AT&T) which are billed through the billing and collection process performed by Pacific Bell are sent through this Scanning and Rejection process. Telephone calls rated at a set amount over the rate cap are returned to the billing party for re-rating.

5. CONSUMER EDUCATION PROGRAM FOR COPTs

The Workshop approved a comprehensive consumer education project in July 1993 to be undertaken by Consumer Action. This project is funded entirely by the COPT vendors through the monthly surcharge on each COPT. The project will explain to consumers how to make calls from private pay telephones, with a special emphasis on how to get refunds. It also will advise callers of their rights and how they can make a complaint.

While the message is aimed at the general population, there is a special focus on reaching low income and limited English-speaking consumers. Pay telephones are a vital part of universal telephone service, particularly in low income communities. For consumers who can't afford to have a telephone, the pay telephone is their only means of access to the telephone network. If they don't understand how to use a pay telephone, they are effectively denied even this access.

Consumers still don't understand the difference between COPTs and LEC-owned pay telephones, which leads to confusion and frustration when there are problems in making a call or obtaining a refund. The confusion also impacts COPT Enforcement, as large numbers of non-tariffed, refund complaints come to the Tele-Consumer Hotline, which drives up the cost of the program. In the consumer education program, two fact sheets will be published. One focusing on the basics of using a COPT telephone and the other on long distance calling and how to reach an alternative operator. Each fact sheet will be printed in eight languages: English, Spanish, Chinese, Cambodian, Laotian, Korean, Vietnamese and Tagalog. A minimum of 100,000 copies of each of the two fact sheets will be produced and distributed.

Each fact sheet will be promoted through mailings to the Consumer Action network of 1,200 agencies throughout the state, and to the media. Agencies can order in bulk, without charge, for distribution to their clients. The network includes a wide variety of social service agencies and community groups such as: the Urban League, Korean Health Education Information and Referral Center, The Cambodian Family, Centro La Familia, Chinese Newcomers Service Center, California/Nevada Community Action Association and its member agencies around the state, and Basic Adult Spanish Education. The fact sheets will be available to the Commission Consumer Affairs Branch and Outreach Officers.

Press releases and Public Service Announcements will provide information on the content of the fact sheets and will indicate how individual consumers can obtain copies. Interviews with the press will be conducted throughout the state in English, Chinese or Spanish.

Consumer Action Outreach Specialists will work with agencies in several ways. They will conduct workshops throughout California for agency staff on private pay telephone issues, and will provide assistance on an 800 number. Commission staff will be invited to attend these workshops.

Education at Trade Shows

COPT Enforcement has also participated in California Payphone Association's 25 Alive Trade Show in Las Vegas and the San Diego Symposium By the Sea Show. COPT Enforcement had its own booth at both shows with the purpose of educating vendors on the rules and regulations on pay telephones as well as answering any questions and taking any suggestions for improvements. Copies of the LEC's tariffs with information on signage requirements, rate caps, and operational criteria were made available besides copies of the standard signage and the standard inspection format.

6. REPARATIONS

Background:

Ordering Paragraph 2 of Decision 90-06-018 required CACD to conduct workshops to address Articles V(B)(1) and V(B)(12) of the settlement agreement the parties had reached in the case. Article V(B)(12) related to the enforcement regulations relating to pay telephones.

Section (f) of Article V(B)(12) states that:

"The parties agree to participate in workshops to work out the details of the entire enforcement program. The CACD shall chair these workshops. The parties recognize that the issue of reparations for ratepayers arising out of past AOS and COPT-related overcharges will also be resolved in these workshops."

The overcharges referred to in Article V(B)(12) resulted from calls made by specific operator service providers or billing clearinghouses from mid-1987 until June 1990. Documentation provided from Pacific Bell showed that the total overcharges for that period were approximately \$1.4 million. Several of the operator service providers responsible for the overcharges have since gone out of business or could not be located.

Discussion

Workshops were held in 1990 and 1991. Among the issues discussed were the reparations for ratepayers arising out of the overcharges. The participants in the workshop all agreed that any reparations collected on behalf of the ratepayers should be used to fund the COPT Enforcement Program and to educate consumers about pay telephones.

While some of the parties were able to agree on the amount of reparations to be paid, other elements required for a settlement agreement remain in dispute.

Conclusions

The parties have not been able to resolve the reparations issue in workshops.

On August 20, 1993, DRA filed a Petition for Modification of Decision 90-06-018 proposing that the decision be modified to address this matter by ordering that evidentiary hearings be held to determine the amount of reparations owed by each operator service provider and the terms under which the reparations will be paid.

II. PUBLIC POLICY PAY TELEPHONES

Background

In Order Instituting Investigation (I.) 88-04-029, the Commission asked COPT workshop participants to define public policy pay telephones, to count them and to determine a mechanism for funding them.

Public policy pay telephones are maintained by the LECs on an uneconomic basis, but are required for the health, safety and welfare of the public. Examples of potential public policy pay telephones are telephones in parks or recreation areas, highway rest stops, etc.

Workshop participants held several meetings in the summer of 1988 to define the telephones which would be included in this category and to outline the criteria by which to count them. The progress of the workshop was summarized in CACD's August 1988 report to the Commission (D. 90-16-018, Appendix A, pp. 74-78). The revenue criteria the LECs used to determine what constituted an "uneconomic" pay telephone were the coin in the box, plus the \$0.20 Message Toll Service surcharge. The "break-even" amount alleged by the LECs was \$4.00 per phone per day. The three LECs (Pacific, GTEC, Contel) produced lists of their pay telephones which did not "break even." The combined list of potential public policy pay telephones exceeded 67,000.

Workshop participants realized additional criteria were needed to determine which "uneconomic" telephones were public policy pay telephones, so additional meetings were held in the fall of 1988. The DRA wrote a memorandum (APPENDIX D.) which summarized those meetings and listed additional criteria the workshop developed to qualify public policy pay telephones. Criteria included such factors as individual access to the telephone network, the location of other pay telephones, weather conditions, and the geography and demographics of the surrounding area.

Workshop participants then asked the three LECs to conduct field surveys of their pay telephones (utilizing the criteria which the workshop had developed) to compile a list of potential public policy pay telephones. The surveys were completed by February 1989. Using the additional criteria, the list of public policy pay telephones decreased to 22,000. This number further decreased when guidelines were refined. The list has continued to decrease each year. As of January 1993 the total number of public policy pay telephones statewide was 1,975.

The workshop believes the dramatic decrease in the number of public policy pay telephones is due to several factors: (1) The increase in the number of COPT telephones (from 29,000 in December of 1988 to over 58,000 today); and (2) the increase in the number of pay telephones under contract to either a LEC or a COPT company. Pay telephones are not eligible for public policy status if the property owner or station agent has a contract from either a LEC or a COPT company which pays the station agent or property owner a commission.

Funding

In I. 88-04-029, the Commission asked workshop participants to determine a means for funding public policy pay telephones. After many lengthy discussions, parties agreed that:

"Public policy pay phones shall be funded through a monthly rate charged to subscribers of the access line connecting the COPT instrument to the network, to the line serving an instrument provided by other non-LEC operators of pay telephones, and by appropriation by the utility for its lines serving the utility's semi-public and competitive sector pay telephones..."

"The parties agree to work out details of the incremental rates and how to administer the program in workshops to be headed by CACD of the Commission staff."
(D.90-06-018, Appendix A, p.28)

To calculate costs and revenues used to determine the amount of the monthly surcharge, Pacific, Contel and GTEC utilized a worksheet which contained the Commission staff's cross-subsidy formula found in D. 90-06-018 (Appendix A, pp. 98-99). Only the cost and revenues which were considered competitive were used in the calculation of the surcharge. Pacific's monthly surcharge for pay phones was \$0.13 per pay phone line per month and GTEC's surcharge was \$0.53 per line per month.

Because of the demographics of Contel's serving area (mainly rural), and the small number of utility and privately owned pay telephones in its serving area, Contel has a disproportionate number of public policy pay telephones. Workshop participants decided to subsidize Contel's public policy pay telephones from Contel's rate base, which is what Contel currently does. Pacific and GTEC subsidize public policy pay telephones in their respective serving areas with a monthly surcharge paid by all pay telephone providers.

If Contel's regulatory structure changes due to Contel's proposed merger with GTEC, or if there are significant changes made to pay telephone rate structures and LEC regulatory frameworks as a result of the New Regulatory Framework Phase III Implementation Rate Design (IRD), the manner in which Contel subsidizes public policy pay telephones should be further reviewed.

Administration

Commission D.90-06-018 (Appendix A, p. 93), established a Public Policy Pay Telephone Committee (Committee) to review applications for public policy pay telephones. The Committee has not met because there have been very few applications for public policy pay telephones. Those requests that have been received by the LECs have been reviewed by the LECs and DRA's Committee representative.